

Texas State Affordable Housing Corporation

Multifamily Private Activity Bond Project Summary

Agenda:

Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for Cairn Point Montopolis.

Summary:

TSAHC received an application from Vecino Group, on October 2, 2023, proposing the construction of a 150-unit affordable apartment community located in Austin to be called Cairn Point Montopolis.

Public Benefit:

Cairn Point Montopolis will create 150-units of affordable rental housing targeted for low-income households. Currently, 23 units will be reserved for households earning up to 30% of the area median income (AMI), 87 units for 50% AMI households, and 40 units for 60% AMI households. The project qualifies under TSAHC's service enriched targeted housing need for reserving more than 10% of total units for families facing homelessness and earning less than 30% AMI.

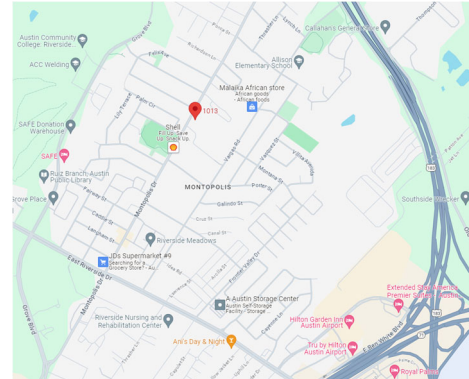
Financial Summary:

Cairn Point Montopolis has a total budget of approximately \$46.2 million. The proposed financing includes tax-exempt bonds, deferred repayable loans, grants and 4% housing tax credits. The project's direct costs include \$8.2 million for acquisition and \$24.3 million for hard construction (approx. \$162,000 per unit). Soft costs of \$2.9 million, financing costs of \$5.3 million, reserve accounts at \$1.1 million and developer fees at \$4.6 million round out total costs.

The anticipated maximum par amount of the bonds is \$23.5 million. This amount will be used during construction. Citi Community Capital has been identified to provide a permanent tax-exempt loan in the amount of \$14.6 million. Housing tax credit equity is anticipated to be \$15.7 million. Deferred repayable loans from the City of Austin and the Texas Department of Housing and Community Affairs add \$6 million each, or \$12 million total to the financing. The final permanent sources include a Federal Home Loan Bank grant of \$1 million and deferred developer fees of \$2.9 million.

TSAHC has been asked to form a joint venture with the Developer and become a member of the ownership entity. TSAHC's involvement in the owner entity provides the project a property tax exemption, and the City of Austin is in support of the project with the tax exemption. Staff believes the property tax exemption

Map of Project Area



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is critical to the project reaching feasibility due to the number of extremely low-income households being served and the high cost of construction and operations in the Austin market.

Market Conditions:

Cairn Point Montopolis will be located on Montopolis Drive in the heart of the Montopolis Neighborhood. The surrounding area is predominately single-family homes, although the site is currently a vacant lot. Directly south of the site is the Nuestra Senora de los Dolores Catholic church, and directly north is the Circulo de Amistad housing community developed by Habitat for Humanity with support from the City of Austin.

Staff reviews educational options for all projects serving families. The project will be served primarily by Allison Elementary School, which received a School Progress grade of A from the Texas Education Agency (TEA) in 2022. Allison is also part of the Eastside Early College High School family, which is a focused program accelerating opportunities in science and technology careers for students. Eastside Early College High School participates in the Johns Hopkins University Secondary Education Talent Development program and received a School Progress grade of B from the TEA in 2022.

The project is also close to a number of recreational facilities including the Montopolis Recreation and Community Center, Roy G Guerrero Metropolitan Park, and the Colorado River Wildlife Sanctuary. Public transportation will be located directly in front of the project site by Capital Metro.

The site has excellent access to the city's central business district, manufacturing facilities and Austin Bergstrom International Airport. Technical and job training facilities are located within two miles of the project site at the Austin Community College Montopolis campus. The project is also within .5 miles of the planned Yellow Line light rail project that will begin construction in 2024.

Developer Summary:

The Vecino Group was formed in 2011 and specializes in the financial structure and underwriting of affordable real estate development. Their real estate portfolio has grown to more than 3,200 units in nine states. Not only has the company worked in traditional housing tax credit projects, but they have expanded housing and services through the utilization of Federal Home Loan Bank AHP grants, New Market Tax Credits, Shelter Plus Care and Project-Based Vouchers, along with other federal and state funding initiatives.

The Vecino Group is led by J. Matthew Miller, CEO, and Rick Manzardo, President. Each has worked in commercial and residential development for more than 20 years. Mr. Miller oversees the company's daily operations, strategy and overall vision, while Mr. Manzardo leads the company's development teams, identifying new projects and maintaining their portfolio.

TSAHC's involvement in the ownership entity will provide us with a higher degree of oversight and control over the project's operations and success. TSAHC will be represented by Coats Rose as Joint Venture Counsel, and we intend to structure the project similar to the recently closed Juniper Creek project, that

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also received private activity bond volume cap through TSAHC. TSAHC closed on financing for two initial joint venture projects in 2023 that included Juniper Creek (Austin) and the Park on 14th (Plano).

Recommendation:

Staff recommends approval of a Resolution Regarding the Submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for Cairn Point Montopolis.

Cairn Point - Underwriting.xlsx - Project Summary

Project Summary

Applicant Cairn Point at Montopolis, LP
 Project Name Cairn Point

Location

Address 1013 Montopolis Dr. City Austin
 County: Travis State Texas 78741
 Census Tract: 48453002321

Bonds

Max. Par Amount: \$ 23,500,000 Bond Type: PAB
 Term of Bonds: 15 Allocation Year: 2021

Perm Funding Souces

	Amount	% of Total
Citi - Tax Exmpt Loan	\$ 14,636,000	31.65%
	\$ -	0.00%
HTC Equity	\$ 15,689,198	33.93%
TDHCA NHTF	\$ 6,000,000	12.98%
City of Austin RHDA	\$ 6,000,000	12.98%
FHLB Dallas	\$ 1,000,000	2.16%
Deferred Dev Fee	\$ 2,912,740	6.30%
Totals	\$ 46,237,938	100%

* not included in total

Market Summary

	City	County	State	Census Tract
Population:	961,855	1,290,188	29,145,505	4,725
Median Age:	34	35	35	33
Diversity Index:	65	64	-	42
% Hispanic:	32%	33%	39%	80%
% Persons with Disability:	9%	8%	11%	15%
% Households that Rent:	55%	47%	38%	47%
Median Rents:	1,415	1,422	1,146	1,092
% Renters Who are Cost Burdened:	29%	29%	30%	58%
Median Home Price:	\$ 381,400	\$ 368,000	\$ 202,600	\$ 212,200
Median Household Income:	\$ 78,965	\$ 85,043	\$ 67,321	\$ 38,602
Unemployment:	2.70%	2.80%	3.90%	NA
Persons w/o Insurance:	13%	12%	18%	13%
Medically Underserved Area:	NA	NA	NA	NA
% Attending Public Schools:	89%	90%	92%	100%
Graduation Rate (Austin ISD)	> = 90%			

CRA Eligible Census Tract: Low Income
 # of LI Projects and Units: 4 807

Cairn Point - Underwriting.xlsx - Summary Sources and Uses

Summary of Sources and Uses

Applicant Cairn Point at Montopolis, LP
 Project Name Cairn Point
 Number of Units 150

Sources	Amount	Amount Per Unit	Percentage of Total
Citi - Tax Exmpt Loan	\$ 14,636,000	\$ 97,573	32%
	\$ -	\$ -	0%
HTC Equity	\$ 15,689,198	\$ 104,595	34%
TDHCA NHTF	\$ 6,000,000	\$ 40,000	13%
City of Austin RHDA	\$ 6,000,000	\$ 40,000	13%
FHLB Dallas	\$ 1,000,000	\$ 6,667	2%
Deferred Dev Fee	\$ 2,912,740	\$ 19,418	6%
Total Sources	\$ 46,237,938	\$ 308,252.92	100%

Uses	Amount	Amount Per Unit	Percentage of Total
Acquisition	\$ 8,150,000	\$ 54,333.33	18%
Off-Site Construction	\$ 115,000	\$ 766.67	0%
On-Site Work	\$ 2,500,000	\$ 16,666.67	5%
Site Amenities	\$ 615,000	\$ 4,100.00	1%
Building Costs	\$ 17,038,750	\$ 113,591.67	37%
Other Const/Contingency	\$ 3,992,944	\$ 26,619.63	9%
Soft Costs	\$ 2,875,286	\$ 19,168.57	6%
Financing Costs	\$ 5,256,394	\$ 35,042.63	11%
Developer Fees	\$ 4,581,372	\$ 30,542.48	10%
Reserve Accounts	\$ 1,113,192	\$ 7,421.28	2%
Total Uses	\$ 46,237,938	\$ 308,252.92	100%

(Gap) / Reserve	\$ -
Percent of Developer Fee Deferred	63.58%

Cairn Point - Underwriting.xlsx - Operating Proforma

Operating Proforma

Applicant <u>Cairn Point at Montopolis, LP</u>		Project Name <u>Cairn Point</u>	
Total Units: <u>150</u>	30% AMI <u>23</u>	% at 30% AMI <u>15%</u>	80% AMI <u>0</u>
Min. Set Aside Election: <u>40% @ 60% AMI</u>	40% AMI <u>-</u>	% at 40% AMI <u>0%</u>	MR: <u>0</u>
Min. Afford. Units: <u>60</u>	50% AMI <u>87</u>	% at 50% AMI <u>58%</u>	% at 80% AMI: <u>0%</u>
Afford. Units: <u>150</u>	60% AMI <u>40</u>	% at 60% AMI <u>27%</u>	% at MR: <u>0%</u>
% Affordable: <u>100%</u>	70% AMI <u>0</u>	% at 70% AMI <u>0%</u>	Rental Assist: <u>Yes - Partial</u>
			Accessible Unit Min: <u>8</u>

Residential Income

Unit Type	Unit Sq. Ft.	Net Sq. Ft.	# units	Rent	Mo. Income	Inflator	Rent Limiter
1/1	650	14,950	23	\$ 657	\$ 15,111	1.02	30% AMI
1/1	650	24,050	37	\$ 1,095	\$ 40,515	1.02	50% AMI
1/1 PBRA	650	32,500	50	\$ 1,799	\$ 89,950	1.02	50% AMI
1/1	650	26,000	40	\$ 1,314	\$ 52,560	1.02	60% AMI
Subtotals:				97,500	150	\$ 198,136	

Other income:	\$ 10.00	\$ 1,500	1.02
Potential gross income			
Residential vacancy loss			7.50%
Effective Gross Residential Income			

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
\$	181,332	184,959	188,658	192,431	196,280	216,709	239,264
\$	486,180	495,904	505,822	515,938	526,257	581,030	641,504
\$	1,079,400	1,100,988	1,123,008	1,145,468	1,168,377	1,289,983	1,424,245
\$	630,720	643,334	656,201	669,325	682,712	753,769	832,222
\$	18,000.00	18,360	18,727	19,102	19,484	21,512	23,751
\$	2,395,632	2,443,545	2,492,416	2,542,264	2,593,109	2,863,002	3,160,986
\$	(179,672)	(183,266)	(186,931)	(190,670)	(194,483)	(214,725)	(237,074)
\$	2,215,960	2,260,279	2,305,484	2,351,594	2,398,626	2,648,277	2,923,912

Operating Expenses

	TSAHC est.	Borrower Yr 1	% EGI	Variance	Per Unit	Inflator
General & Administrative	\$ 79,500	\$ 39,450	1.78	-50%	\$ 263	1.03
Management Fee	\$ 72,900	\$ 110,798	5.00	52%	\$ 739	1.03
Payroll and Related	\$ 208,650	\$ 225,135	10.16	8%	\$ 1,501	1.03
Maintenance & Repair	\$ 122,400	\$ 110,500	4.99	-10%	\$ 737	1.03
Utilities	\$ 155,250	\$ 240,085	10.83	55%	\$ 1,601	1.03
Insurance	\$ 69,750	\$ 250,000	11.28	258%	\$ 1,667	1.03
Tax Exempt			0.00	#DIV/0!	\$ -	1.03
Operating Debt Service Reserves			0.00	#DIV/0!	\$ -	1.03
Replacement reserves	\$ 37,500	\$ 37,500	1.69	0%	\$ 250	1.03
HTC/HOME Compliance Fees	\$ 6,000	\$ 6,000	0.27	0%	\$ 40	1.03
Bond Compliance Fees	\$ 6,750	\$ 6,750	0.30	0%	\$ 45	1.03
Other (specify): Trustee Fee	\$ 30,000	\$ 20,000	0.90	-33%	\$ 133	1.03
Total Operating Expenses	\$ 788,700	\$ 1,046,218		33%	\$ 6,974.79	

state avg \$ 5,922.00 per unit
Operating Expenses as a percentage of Effective Gross Income

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
\$	39,450	40,634	41,853	43,108	44,401	51,473	59,672
\$	110,798	114,122	117,546	121,072	124,704	144,566	167,592
\$	225,135	231,889	238,846	246,011	253,391	293,750	340,537
\$	110,500	113,815	117,229	120,746	124,369	144,177	167,141
\$	240,085	247,288	254,706	262,347	270,218	313,256	363,150
\$	250,000	257,500	265,225	273,182	281,377	326,193	378,147
\$	-	-	-	-	-	-	-
\$	-	-	-	-	-	-	-
\$	37,500	38,625	39,784				
\$	6,000	6,180	6,365	6,556	6,753	7,829	9,076
\$	6,750	6,953	7,161	7,376	7,597	8,807	10,210
\$	20,000	20,600	21,218	21,855	22,510	26,095	30,252
\$	1,046,218	1,077,605	1,109,933	1,102,253	1,135,321	1,316,148	1,525,776
\$	6,975	7,184	7,400	7,348	7,569	8,774	10,172
	47.2%	47.7%	48.1%	46.9%	47.3%	49.7%	52.2%

NET OPERATING INCOME

\$	1,169,742	1,182,674	1,195,552	1,249,341	1,263,305	1,332,129	1,398,135
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